

HOUSE BILL REPORT

HB 1543

As Reported by House Committee On:
Environment & Energy

Title: An act relating to increasing compliance pathways for the clean buildings performance standard with alternative metrics and extensions for reporting.

Brief Description: Increasing compliance pathways for the clean buildings performance standard.

Sponsors: Representatives Doglio, Ramel, Berry, Ryu, Reed, Duerr, Parshley and Ormsby; by request of Department of Commerce.

Brief History:

Committee Activity:

Environment & Energy: 1/28/25, 2/6/25 [DPS].

Brief Summary of Substitute Bill

- Allows the Department of Commerce to develop and authorize alternative metric targets for Tier 1 building compliance with the State Energy Performance Standard (the Standard) and to provide extensions and additional exemptions.
- Extends the requirement that certain gas and electric utilities provide energy consumption data to large commercial buildings under the Standard and to all buildings under the Standard.
- Prohibits penalties incurred from non-compliance from being passed along to tenants.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 20 members: Representatives Doglio, Chair; Hunt, Vice Chair; Dye, Ranking

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Member; Klicker, Assistant Ranking Member; Abbarno, Abell, Barnard, Berry, Duerr, Fey, Fitzgibbon, Kloba, Ley, Mena, Mendoza, Ramel, Stearns, Stuebe, Wylie and Ybarra.

Staff: Megan McPhaden (786-7114).

Background:

State Energy Performance Standard.

Overview.

The State Energy Performance Standard (the Standard), often referred to as the Clean Buildings Performance Standard, requires the Department of Commerce (Commerce) to establish rules for energy performance standards for covered commercial buildings, to collect data on compliance, and to report on outcomes. The Standard seeks to maximize reductions in greenhouse gas emissions (GHGs) from the building sector. The Standard includes energy use intensity targets by building type, as well as requirements for an energy management plan, operations and maintenance program, energy efficiency audits, and investments in energy efficiency measures.

The Standard must include energy use intensity targets and investment in energy efficiency measures designed to meet the targets. Commerce must use the 2018 version of Standard 100 authored by the American National Standards Institute, the American Society of Heating Refrigerating and Air-Conditioning Engineers, and the Illuminating Engineering Society (ANSI/ASHRAE/IES Standard 100-2018) as an initial model for standard development.

Commerce may impose penalties on building owners for failing to demonstrate compliance with the Standard.

Application to Buildings.

The Standard applies to two categories of buildings:

- Tier 1 covered commercial buildings are buildings where the sum of nonresidential, hotel, motel, and dormitory floor areas exceed 50,000 square feet, excluding the parking garage area.
- Tier 2 covered buildings are commercial buildings greater than 20,000 square feet but less than 50,000 square feet, and multifamily residential buildings greater than 20,000 square feet.

All elements of the Standard apply to Tier 1 buildings. Tier 2 buildings are responsible for the energy management and benchmark requirements; they are not responsible for complying with the energy use intensity targets.

The owner of a covered commercial building is exempt from the Standard if the building:

- did not have a certificate of occupancy or a temporary certificate of occupancy for a year before the compliance schedule;
- did not have an average occupancy of at least 50 percent throughout the calendar year before the compliance schedule;
- contains conditioned space which is less than 50,000 square feet;
- is primarily used for manufacturing or industry;
- is an agricultural structure; or
- meets certain conditions of financial hardship.

Energy Use Intensity Targets.

Commerce must develop energy use intensity targets that are no greater than the average energy use intensity of a building type with adjustments for unique energy use features, and must consider regional and local building energy use data when establishing targets. The energy use intensity targets must be developed for two or more climate zones and represent energy use in a normal weather year.

Energy use intensity is a measurement that normalizes a building's site energy use relative to its size and is calculated by dividing the total net energy consumed in a year by the floor area of the building.

Exemptions to Energy Use Intensity Targets.

There are exemptions to the requirement to meet energy use intensity targets. One involves an alternative compliance pathway for certain building owners; the owner of a state campus district energy system is not required to meet the energy use intensity target or to otherwise comply with the Standard under certain conditions involving implementing a decarbonization plan.

Additionally, under Commerce rules, buildings may demonstrate compliance by implementing energy efficiency measures that achieve an investment criteria as specified in rule, and there are also exemptions for grouped buildings.

Utility Requirement to Provide Energy Data for Large Commercial Buildings.

All electric and gas utilities serving 25,000 or more customers in the state must either upload a covered commercial building's energy consumption data to the United States Environment Protection Agency (EPA) Energy Star Portfolio Manager or provide building owners with the consumption data. These utilities must provide building owners with monthly energy consumption data to benchmark the building.

Summary of Substitute Bill:

Alternative Metric Targets Authorized for Tier 1 Building Compliance.

Commerce may adopt additional compliance pathways for building owners to comply with the Standard by using alternative metrics.

Commerce may develop alternative metric targets related to energy use and GHGs if these alternative metrics are included in the ANSI/ASHRAE/IES Standard 100-2018 or subsequent versions of the ANSI/ASHRAE/IES Standard 100-2018. Alternative metrics apply in most instances where energy use intensity targets apply, except alternative metrics do not apply to the early adoption incentive program.

Additional Exemptions and Extensions.

The owner of a covered building is exempt from meeting the Standard if extenuating conditions exist, as approved by Commerce prior to the reporting date, including, but not limited to, if meeting the Standard would impair national security interests.

Covered buildings may apply to Commerce for an extension no earlier than six months before and up to six months after the building's compliance date. Commerce may approve extension requests for conditions including, but not limited to, conditions beyond the control of the building owner.

Utility Requirement to Provide Energy Data for All Covered Buildings.

Gas and electric utilities that must provide consumption data to the EPA or building owners for very large buildings must now also provide that data for Tier 2 buildings.

Restriction on Passing Penalty Costs Along to Tenants.

Penalties incurred from noncompliance may not be passed along to tenants.

Substitute Bill Compared to Original Bill:

The substitute bill adds that penalties incurred from noncompliance may not be passed along to tenants and clarifies that the compliance reporting schedule and early adoption incentives for Tier 1 covered buildings apply to Tier 1 covered buildings.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This agency-request bill reflects the recommendations from the state-funded Clean Buildings Program work group, which included representatives from the public and private building owners in the state and met over the summer. The work group recommended that Commerce provide alternative compliance pathways, timeline

extensions, and exemptions. This makes the program more flexible as compliance starts to take place in June 2026. The Clean Buildings Program has raised issues and led to compliance costs, some of which are considerable, for businesses covered under the program. This helps building owners manage their compliance costs in some alternative ways.

(Opposed) None.

Persons Testifying: Representative Beth Doglio, prime sponsor; Emily Salzberg, Washington State Department of Commerce; and Peter Godlewski, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.